SUSTAINABILITY ACCOUNTING STANDARD
TRANSPORTATION SECTOR

AIR FREIGHT & LOGISTICS
Sustainability Accounting Standard

Sustainable Industry Classification System™ (SICS™) #TR0202

Prepared by the
Sustainability Accounting Standards Board®

September 2014
Provisional Standard
AIR FREIGHT & LOGISTICS

Sustainability Accounting Standard

About SASB

The Sustainability Accounting Standards Board (SASB) provides sustainability accounting standards for use by publicly listed corporations in the U.S. in disclosing material sustainability information for the benefit of investors and the public. SASB standards are designed for disclosure in mandatory filings to the Securities and Exchange Commission (SEC), such as the Form 10-K and 20-F. SASB is an independent 501(c)3 non-profit organization. Through 2016, SASB is developing standards for more than 80 industries in 10 sectors.
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INTRODUCTION

Purpose & Structure

This document contains the SASB Sustainability Accounting Standard (SASB Standard) for Air Freight & Logistics.

SASB Standards are comprised of (1) disclosure guidance and (2) accounting standards on sustainability topics for use by U.S. and foreign public companies in their annual filings (Form 10-K or 20-F) with the U.S. Securities and Exchange Commission (SEC). To the extent relevant, SASB Standards may also be applicable to other periodic mandatory filings with the SEC, such as the Form 10-Q, Form S-1, and Form 8-K.

SASB’s disclosure guidance identifies sustainability topics at an industry level, which may be material—depending on a company’s specific operating context—to a company within that industry.

Each company is ultimately responsible for determining which information is material and is therefore required to be included in its Form 10-K or 20-F and other periodic SEC filings.

SASB’s accounting standards provide companies with standardized accounting metrics to account for performance on industry-level sustainability topics. When making disclosure on sustainability topics, companies adopting SASB’s accounting standards will help to ensure that disclosure is standardized and therefore useful, relevant, comparable, and auditable.

Industry Description

Air Freight & Logistics (AFL) companies provide freight services and transportation logistics. There are three main industry segments: air freight transportation, post and courier services, and transportation logistics services. Companies in the industry earn revenue from one or more of the segments and range from non-asset-based to asset-heavy. Transportation logistics services include contracting with road, rail, marine, and air freight companies to select and hire appropriate transportation. Services can also include customs brokerage, distribution management, vendor consolidation, cargo insurance, purchase-order management, and customized logistics information.
Guidance for Disclosure of Material Sustainability Topics in SEC Filings

1. Industry-Level Sustainability Disclosure Topics

For the Air Freight & Logistics industry, SASB has identified the following sustainability disclosure topics:

- Environmental Footprint of Fuel Use
- Fair Labor Practices
- Accidents & Safety Management
- Supply Chain Management

2. Company-Level Determination and Disclosure of Material Sustainability Topics

Sustainability disclosures are governed by the same laws and regulations that govern disclosures by securities issuers generally. According to the U.S. Supreme Court, a fact is material if, in the event such fact is omitted from a particular disclosure, there is “a substantial likelihood that the disclosure of the omitted fact would have been viewed by the reasonable investor as having significantly altered the ‘total mix’ of the information made available.”¹,²

SASB has attempted to identify those sustainability topics that it believes may be material for all companies within each SICS industry. SASB recognizes, however, that each company is ultimately responsible for determining what is material to it.

Regulation S-K, which sets forth certain disclosure requirements associated with Form 10-K and other SEC filings, requires companies, among other things, to describe in the Management’s Discussion and Analysis of Financial Condition and Results of Operations (MD&A) section of Form 10-K “any known trends or uncertainties that have had or that the registrant reasonably expects will have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations. If the registrant knows of events that will cause a material change in the relationship between costs and revenues (such as known future increases in costs of labor or materials or price increases or inventory adjustments), the change in the relationship shall be disclosed.”²

Furthermore, Instructions to Item 303 state that the MD&A “shall focus specifically on material events and uncertainties known to management that would cause reported financial information not to be necessarily indicative of future operating results or of future financial condition.”²

In determining whether a trend or uncertainty should be disclosed, the SEC has stated that management should use a two-part assessment based on probability and magnitude:

- First, a company is not required to make disclosure about a known trend or uncertainty if its management determines that such trend or uncertainty is not reasonably likely to occur.
- Second, if a company’s management cannot make a reasonable determination of the likelihood of an event or uncertainty, then disclosure is required unless management determines that a material effect on the registrant’s financial condition or results of operation is not reasonably likely to occur.

3. **Sustainability Accounting Standard Disclosures in Form 10-K**

   a. **Management’s Discussion and Analysis**

   Companies should consider making disclosure on sustainability topics as a complete set in the MD&A, in a sub-section titled “Sustainability Accounting Standards Disclosures.”

   b. **Other Relevant Sections of Form 10-K**

   In addition to the MD&A section, companies should consider disclosing sustainability information in other sections of Form 10-K, as relevant, including:

   - **Description of business**—Item 101 of Regulation S-K requires a company to provide a description of its business and its subsidiaries. Item 101(c)(1)(xii) expressly requires disclosure regarding certain costs of complying with environmental laws:

     > Appropriate disclosure also shall be made as to the material effects that compliance with Federal, State and local provisions which have been enacted or adopted regulating the discharge of materials into the environment, or otherwise relating to the protection of the environment, may have upon the capital expenditures, earnings and competitive position of the registrant and its subsidiaries.

   - **Legal proceedings**—Item 103 of Regulation S-K requires companies to describe briefly any material pending or contemplated legal proceedings. Instructions to Item 103 provide specific disclosure requirements for administrative or judicial proceedings arising from laws and regulations that target discharge of materials into the environment or that are primarily for the purpose of protecting the environment.

   - **Risk factors**—Item 503(c) of Regulation S-K requires filing companies to provide a discussion of the most significant factors that make an investment in the registrant speculative or risky, clearly stating the risk and specifying how a particular risk affects the particular filing company.

   c. **Rule 12b-20**

   Securities Act Rule 408 and Exchange Act Rule 12b-20 require a registrant to disclose, in addition to the information expressly required by law or regulation, “such further material information, if any, as may be necessary to make the required statements, in light of the circumstances under which they are made, not misleading.”


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3 SEC [Release Nos. 33-8056; 34-45321; FR-61] Commission Statement about Management’s Discussion and Analysis of Financial Condition and Results of Operations: “We also want to remind registrants that disclosure must be both useful and understandable. That is, management should provide the most relevant information and provide it using language and formats that investors can be expected to understand. Registrants should be aware also that investors will often find information relating to a particular matter more meaningful if it is disclosed in a single location, rather than presented in a fragmented manner throughout the filing.”
Guidance on Accounting of Material Sustainability Topics

For sustainability disclosure topics in the Air Freight & Logistics industry, SASB identifies accounting metrics.

SASB recommends that each company consider using these sustainability accounting metrics when disclosing its performance with respect to each of the sustainability topics it has identified as material.

As appropriate—and consistent with Rule 12b-20— for each sustainability topic, companies should consider including a narrative description of any material factors necessary to ensure completeness, accuracy, and comparability of the data reported. Where not addressed by the specific accounting metrics, but relevant, the registrant should discuss the following, related to the topic:

- The registrant’s strategic approach to managing performance on material sustainability issues;
- The registrant’s competitive positioning;
- The degree of control the registrant has;
- Any measures the registrant has undertaken or plans to undertake to improve performance; and
- Data for the registrant’s last three completed fiscal years (when available).

SASB recommends that registrants use SASB Standards specific to their primary industry as identified in the Sustainable Industry Classification System (SICS™). If a registrant generates significant revenue from multiple industries, SASB recommends that it consider the materiality of the sustainability issues that SASB has identified for those industries and disclose the associated SASB accounting metrics.

Users of the SASB Standards

The SASB Standards are intended for companies that engage in public offerings of securities registered under the Securities Act of 1933 (the Securities Act) and those that issue securities registered under the Securities Exchange Act of 1934 (the Exchange Act), for use in SEC filings, including, without limitation, annual reports on Form 10-K (Form 20-F for foreign issuers), quarterly reports on Form 10-Q, current reports on Form 8-K, and registration statements on Forms S-1 and S-3. Nevertheless, disclosure with respect to the SASB Standards is not required or endorsed by the SEC or other entities governing financial reporting, such as FASB, GASB, or IASB.

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4 SEC Rule 12b-20: “In addition to the information expressly required to be included in a statement or report, there shall be added such further material information, if any, as may be necessary to make the required statements, in the light of the circumstances under which they are made, not misleading.”

5 Registration under the Securities Exchange Act of 1934 is required (1) for securities to be listed on a national securities exchange such as the New York Stock Exchange, the NYSE Amex, and the NASDAQ Stock Market or (2) if (A) the securities are equity securities and are held by more than 2,000 persons (or 500 persons who are not accredited investors) and (B) the company has more than $10 million in assets.
Scope of Disclosure

Unless otherwise specified, SASB recommends:

- That a registrant disclose on sustainability issues and metrics for itself and for entities in which the registrant has a controlling interest and therefore are consolidated for financial reporting purposes (controlling interest is generally defined as ownership of 50% or more of voting shares);⁶

- That for consolidated entities, disclosures be made, and accounting metrics calculated, for the whole entity, regardless of the size of the minority interest; and

- That information from unconsolidated entities not be included in the computation of SASB accounting metrics. A registrant should disclose, however, information about unconsolidated entities to the extent that the registrant considers the information necessary for investors to understand its performance with respect to sustainability issues (typically, this disclosure would be limited to risks and opportunities associated with these entities).

Reporting Format

Activity Metrics and Normalization

SASB recognizes that normalizing accounting metrics is important for the analysis of SASB disclosures.

SASB recommends that a registrant disclose any basic business data that may assist in the accurate evaluation and comparability of disclosure, to the extent that they are not already disclosed in the Form 10-K (e.g., revenue, EBITDA, etc.).

Such data—termed “activity metrics”—may include high-level business data such as total number of employees, quantity of products produced or services provided, number of facilities, or number of customers. It may also include industry-specific data such as plant capacity utilization (e.g., for specialty chemical companies), number of transactions (e.g., for Internet media and services companies), hospital bed days (e.g., for health care delivery companies), or proven and probable reserves (e.g., for oil and gas exploration and production companies).

Activity metrics disclosed should:

- Convey contextual information that would not otherwise be apparent from SASB accounting metrics.

- Be deemed generally useful for users of SASB accounting metrics (e.g., investors) in performing their own calculations and creating their own ratios.

- Be explained and consistently disclosed from period to period to the extent they continue to be relevant. However, a decision to make a voluntary disclosure in one period does not obligate a continuation of that disclosure if it is no longer relevant or if a better metric becomes available.

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⁶ See US GAAP consolidation rules (Section 810).
Where relevant, SASB recommends specific activity metrics that—at a minimum—should accompany SASB accounting metric disclosures.

<table>
<thead>
<tr>
<th>ACTIVITY METRIC</th>
<th>CATEGORY</th>
<th>UNIT OF MEASURE</th>
<th>CODE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue ton kilometers (RTK) for (1) road transport and (2) air transport⁷</td>
<td>Quantitative</td>
<td>Ton-kilometers</td>
<td>TR0202-A</td>
</tr>
<tr>
<td>Load factor for (1) road transport and (2) air transport⁸</td>
<td>Quantitative</td>
<td>Kilometers</td>
<td>TR0202-B</td>
</tr>
<tr>
<td>Number of employees, number of truck drivers</td>
<td>Quantitative</td>
<td>Number</td>
<td>TR0202-C</td>
</tr>
</tbody>
</table>

Units of Measure

Unless specified, disclosures should be reported in International System of Units (SI units).

Uncertainty

SASB recognizes that there may be inherent uncertainty when disclosing certain sustainability data and information. This may be related to variables such as the imperfectness of third-party reporting systems or the unpredictable nature of climate events. Where uncertainty around a particular disclosure exists, SASB recommends that the registrant should consider discussing its nature and likelihood.

Estimates

SASB recognizes that scientifically-based estimates, such as the reliance on certain conversion factors or the exclusion of de minimis values, may be necessary for certain quantitative disclosures. Where appropriate, SASB does not discourage the use of such estimates. When using an estimate for a particular disclosure, SASB expects that the registrant discuss its nature and substantiate its basis.

Timing

Unless otherwise specified, disclosure shall be for the registrant's fiscal year.

Limitations

There is no guarantee that SASB Standards address all sustainability impacts or opportunities associated with a sector, industry, or company, and therefore, a company must determine for itself the topics—sustainability-related or otherwise—that warrant discussion in its SEC filings.

Disclosure under SASB Standards is voluntary. It is not intended to replace any legal or regulatory requirements that may be applicable to user operations. Where such laws or regulations address legal or regulatory topics, disclosure under SASB Standards is not meant to supersede those requirements. Disclosure according to SASB Standards shall not be construed as demonstration of compliance with any law, regulation, or other requirement.

SASB Standards are intended to be aligned with the principles of materiality enforced by the SEC. However, SASB is not affiliated with or endorsed by the SEC or other entities governing financial reporting, such as FASB, GASB, or IASB.

⁷ Note to TR0202-A – Revenue ton kilometers (RTK) is defined as one metric ton of revenue traffic transported one kilometer. Revenue ton kilometers are computed by multiplying the vehicle-kilometers traveled on each leg by the number of tons of revenue traffic carried on that leg.

⁸ Note to TR0202-B – Load factor is a measure of capacity utilization and is calculated as cargo kilometers traveled divided by total kilometers traveled.

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Forward-looking Statements

Disclosures on sustainability topics can involve discussion of future trends and uncertainties related to the registrant’s operations and financial condition, including those influenced by external variables (e.g., environmental, social, regulatory, and political). Companies making such disclosures should familiarize themselves with the safe harbor provisions of Section 27A of the Securities Act and Section 21E of the Exchange Act, which preclude civil liability for material misstatements or omissions in such statements if the registrant takes certain steps, including, among other things, identifying the disclosure as “forward-looking” and accompanying such disclosure with “meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those in the forward-looking statements.”

Assurance

In disclosing to SASB Standards, it is expected that registrants disclose with the same level of rigor, accuracy, and responsibility as they apply to all other information contained in their SEC filings.

SASB encourages registrants to use independent assurance (attestation); for example, an Examination Engagement to AT Section 101.
Table 1. Sustainability Disclosure Topics & Accounting Metrics

<table>
<thead>
<tr>
<th>TOPIC</th>
<th>ACCOUNTING METRIC</th>
<th>CATEGORY</th>
<th>UNIT OF MEASURE</th>
<th>CODE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environmental Footprint of Fuel Use</td>
<td>Gross global Scope 1 emissions</td>
<td>Quantitative</td>
<td>Metric tons CO₂-e</td>
<td>TR0202-01</td>
</tr>
<tr>
<td></td>
<td>Description of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets</td>
<td>Discussion and Analysis</td>
<td>n/a</td>
<td>TR0202-02</td>
</tr>
<tr>
<td></td>
<td>Total fuel consumed, percentage renewable for (1) road transport and (2) air transport</td>
<td>Quantitative</td>
<td>Gigajoules (GJ), Percentage (%)</td>
<td>TR0202-03</td>
</tr>
<tr>
<td></td>
<td>Air emissions for the following pollutants: NOₓ, SOₓ, and particulate matter (PM)</td>
<td>Quantitative</td>
<td>Metric tons (t)</td>
<td>TR0202-04</td>
</tr>
<tr>
<td>Fair Labor Practices</td>
<td>Percentage of drivers who are classified as independent contractors</td>
<td>Quantitative</td>
<td>Percentage (%)</td>
<td>TR0202-05</td>
</tr>
<tr>
<td></td>
<td>Amount of legal and regulatory fines and settlements associated with labor law violations*</td>
<td>Quantitative</td>
<td>U.S. Dollars ($)</td>
<td>TR0202-06</td>
</tr>
<tr>
<td>Accidents &amp; Safety Management</td>
<td>Description of implementation and outcomes of Safety Management System</td>
<td>Discussion and Analysis</td>
<td>n/a</td>
<td>TR0202-07</td>
</tr>
<tr>
<td></td>
<td>Number of aviation accidents</td>
<td>Quantitative</td>
<td>Number</td>
<td>TR0202-08</td>
</tr>
<tr>
<td></td>
<td>Number of road accidents and incidents</td>
<td>Quantitative</td>
<td>Number</td>
<td>TR0202-09</td>
</tr>
<tr>
<td></td>
<td>(1) Total recordable injury rate and (2) fatality rate for (a) full-time employees and (b) contract employees</td>
<td>Quantitative</td>
<td>Rate</td>
<td>TR0202-10</td>
</tr>
<tr>
<td>Supply Chain Management</td>
<td>Percentage of carriers with BASIC percentiles above the FMCSA intervention threshold</td>
<td>Quantitative</td>
<td>Percentage (%)</td>
<td>TR0202-12</td>
</tr>
<tr>
<td></td>
<td>Complete greenhouse gas footprint across transport modes</td>
<td>Quantitative</td>
<td>Metric tons CO₂-e per ton-kilometer</td>
<td>TR0202-13</td>
</tr>
</tbody>
</table>

* Note to TR0202-06—Disclosure shall include a description of fines and settlements and corrective actions implemented in response to events.
Environmental Footprint of Fuel Use

Description

Major air emissions generated by the AFL industry comprise carbon dioxide, sulfur dioxide, nitrogen oxides, and particulate matter. The primary greenhouse gas (GHG)-generating activities include the combustion of jet fuel in aircrafts and diesel in trucks. Management of the environmental impacts of fuel use includes both fuel efficiency and the use of alternative fuels, and offers an effective way for companies to increase profits by reducing fuel costs while also limiting exposure to volatile fuel pricing, future regulatory costs, and other consequences of GHG emissions. While newer aircraft and trucks are more fuel-efficient, existing ones may be retrofitted for efficiency and reduced emissions.

Accounting Metrics

TR0202-01. Gross global Scope 1 emissions

.01 The registrant shall disclose gross global Scope 1 greenhouse gas (GHG) emissions to the atmosphere of the six GHGs covered under the Kyoto Protocol (carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons, and sulfur hexafluoride).

- Emissions of all gases shall be disclosed in metric tons of carbon dioxide equivalents (CO₂-e) calculated in accordance with published global warming potential (GWP) factors. To date, the preferred source for GWP factors is the IPCC’s Second Assessment Report (1995).
- Gross emissions are GHGs emitted to the atmosphere before accounting for any GHG reduction activities, offsets, or other adjustments for activities in the reporting period that have reduced or compensated for emissions.
- Disclosure corresponds to section CC8.2 of the Carbon Disclosure Project (CDP) Questionnaire and section 4.25 of the Climate Disclosure Standards Board (CDSB) Climate Change Reporting Framework (CCRF).


- These emissions include direct emissions of GHGs from stationary or mobile sources that include, but are not limited to, equipment, production facilities, office buildings, and transportation (i.e., marine, road, or rail).

.03 GHG emission data shall be consolidated according to the approach with which the registrant consolidates its financial reporting data, which is generally aligned with:

- The Financial Control approach defined by the GHG Protocol and referenced by the CDP Guidance for companies reporting on climate change on behalf of investors & supply chain members 2013 (hereafter, the “CDP Guidance”).

10 “An organization has financial control over an operation if it has the ability to direct the financial and operating policies of the operation with a view to gaining economic benefits from its activities. Generally an organization has financial control over an operation for GHG accounting purposes if the operation is treated as a group company or subsidiary for the purposes of financial consolidation.” Guidance for companies reporting on climate change on behalf of investors & supply chain members 2013, p. 95.
• The approach detailed in Section 4.23, “Organizational boundary setting for GHG emissions reporting,” of the CDSB Climate Change Reporting Framework (CCRF).¹¹

.04 The underlying technical approach to data collection, analysis, and disclosure shall be consistent with the CDP Guidance.

• The registrant shall consider the CDP Guidance as a normative reference, thus any updates made year-on-year shall be considered updates to this guidance.

.05 The registrant should discuss any change in its emissions from the previous fiscal year, such as explaining if the change was due to emissions reductions, divestment, acquisition, mergers, changes in output, and/or changes in calculation methodology.

.06 In the case that current reporting of GHG emissions to the CDP or other entity (e.g., a national regulatory disclosure program) differs in terms of the scope and consolidation approach used, the registrant may disclose those emissions. However, primary disclosure shall be according to the guidelines described above.

.07 The registrant should discuss the calculation methodology for its emission disclosure, such as noting if data are from continuous emissions-monitoring systems (CEMS), engineering calculations, mass balance calculations, etc.

TR0202-02. Description of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets

.08 The registrant shall discuss the following, where relevant:

• The scope of its activities, particularly if strategies, plans, and/or reduction targets pertain differently to different business units, geographies, or emissions sources;

• If strategies, plans, and/or reduction targets are related to or associated with an emissions disclosure (reporting) or reduction program (e.g., E.U. ETS, RGGI, WCI, etc.), including regional, national, international, or sectoral programs; and

• The activities and investments required to fulfill the plans and any risks or limiting factors that might affect fulfillment of the plans and/or targets.

.09 For emission-reduction targets, the registrants shall disclose:

• The percentage of emissions within the scope of the reduction plan;

• The percentage reduction from the base year,
  • The base year is the first or starting year against which emissions are evaluated toward the achievement of the target

• Whether the target is absolute or intensity-based, and the metric denominator if it is an intensity-based target;

• The timelines for the reduction activity, including the start year, the target year, and the base year. Disclosure shall be limited to activities that were ongoing (active) or reached completion during the fiscal year; and

¹¹ This is based on the requirements of International Accounting Standards/International Financial Reporting Standards (IAS/IFRS) on consolidation and equity accounting and is consistent with how information relating to entities within a group or interest in joint ventures/associates would be included on consolidated financial statements, as per the CDSB Climate Change Reporting Framework.
• The mechanism(s) for achieving the target, such as energy efficiency efforts, energy source diversification, carbon capture and storage, etc.

.10 Where necessary, the registrant shall discuss any circumstances in which the target base year emissions have been or may be recalculated retrospectively or in which the target base year has been reset.

.11 Disclosure corresponds with:

• CDSB Section 4, “Management actions”\(^\text{12}\)
• CDP questionnaire “CC3, Targets and Initiatives”

.12 Relevant aviation-related initiatives to discuss may include, but are not limited to, fuel optimization efforts such as the use of ground power and pre-conditioned air rather than Auxiliary Power Units (APU) when parked at gate, adjusting flight speed to optimize fuel efficiency, and route design (NextGen). Aircraft-related efforts can include the use of winglets, reduction in weight, and upgrading of the fleet to new aircraft.

.13 Relevant road transportation-related initiatives to discuss may include, but are not limited to, fuel optimization efforts such as route and load optimization. Truck-related efforts include adoption of technology such as engine and powertrain efficiency and aerodynamic improvements, weight reduction, improved tire rolling resistance, hybridization, and automatic engine shutdown.

TR0202-03. Total fuel consumed, percentage renewable for (1) road transport and (2) air transport

.14 The registrant shall disclose total fuel consumption from all sources as an aggregate figure in gigajoules or their multiples, broken down for (1) road transport-related operations and (2) air transport-related operations.

• The scope includes only fuel consumed by entities owned or controlled by the organization.
• The scope excludes non-fuel energy sources such as purchased electricity and purchased steam.

.15 In calculating the energy content of fuels and biofuels, the registrant shall use higher heating values (HHV), also known as gross calorific values (GCV), which are directly measured or taken from the Intergovernmental Panel on Climate Change (IPCC), the U.S. Department of Energy (DOE), or the U.S. Energy Information Administration (EIA).

.16 The registrant shall calculate the percentage of fuel from renewables as the energy content of renewable fuel consumed divided by the energy content of all fuel consumed.

.17 Renewable fuel is defined as energy from sources that are capable of being replenished in a short period of time through ecological cycles, such as geothermal, wind, solar, hydro, and biomass.

.18 For the purposes of this disclosure, the scope of renewable energy from hydro and biomass sources is limited to the following:

• Energy from hydro sources that are certified by the Low Impact Hydropower Institute.
• Energy from biomass sources that are Green-e Energy certified or eligible for a state Renewable Portfolio Standard.

.19 The registrant shall apply conversion factors consistently for all data reported under this disclosure, such as the use of HHVs for fuel usage (including biofuels).

\(^{12}\) "Disclosure shall include a description of the organization’s long-term and short-term strategy or plan to address climate change-related risks, opportunities, and impacts, including targets to reduce GHG emissions and an analysis of performance against those targets." Climate Change Reporting Framework – Edition 1.1, October 2012, CDSB.

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TR0202-04. Air emissions for the following pollutants: NO\textsubscript{x}, SO\textsubscript{x}, and particulate matter (PM)

.20 The registrant shall disclose its emissions released to the atmosphere of air pollutants associated with air freight and logistics operations, including direct air emissions from stationary or mobile sources.

.21 The registrant shall disclose emissions released to the atmosphere from air freight and logistics operations by types of emissions. Substances include:

- Oxides of nitrogen (including NO and NO\textsubscript{2} and excluding N\textsubscript{2}O), reported as NO\textsubscript{2}
- Oxides of sulfur (SO\textsubscript{2} and SO\textsubscript{3}) reported as SO\textsubscript{2}
- Particulate matter (PM); reported as the sum of PM\textsubscript{10} and PM\textsubscript{2.5}, or all particulates less than 10 micrometers in diameter

.22 This scope does not include CO\textsubscript{2}, methane, and nitrous oxide, which are disclosed in TR0202-01 as Scope 1 GHG emissions.

.23 Air emissions data shall be consolidated, according to the approach with which the registrant consolidates its financial reporting data, which is aligned with the consolidation approach used for TR0202-01.

.24 The registrant should discuss the calculation methodology for its emissions disclosure, such as whether data are from continuous emissions monitoring systems (CEMS), engineering calculations, mass balance calculations, etc.
Fair Labor Practices

**Description**
The industry’s reliance on independent contractors has been under increasing regulatory scrutiny. Independent contractors are not covered under the same laws that protect employees, and companies may face legal actions for misclassifying independent contractors. AFL companies can face costly legal actions from employee and contractor claims regarding wage payments, worker classifications, and working conditions. Changing state laws that require companies to treat certain contractors like employees have the potential to impact labor costs in terms of additional wages and benefits.

**Accounting Metrics**

**TR0202-05. Percentage of drivers who are classified as independent contractors**

.25 The registrant shall disclose the percentage of its drivers who are classified by the registrant as independent contractors, where:

- Independent contractors shall be defined according to U.S. Internal Revenue Service (IRS) guidance on determining if an individual is an employee or an independent contractor, or according to local laws, such as “ABC laws,” in states where the registrant conducts business with the individual.

.26 The registrant shall calculate the percentage as the full-time equivalent (FTE) of drivers who are independent contractors divided by the FTE of total drivers.

.27 Total drivers shall be calculated as is the sum of the FTE for drivers who are regular, direct employees and the FTE of those who are third-party employees, where:

- Regular, direct drivers include all full-time and part-time employees whose status group in the Human Resources Information System (HRIS) is “active” and includes Active, Paid Leave, and Unpaid Leave employees.

- Third-party drivers include independent contractors, leased employees, temp (agency) workers, consultants, and outsourced workers (provided that the consultants or outsourced workers are spending most of their time on the registrant’s work).

- FTE is defined as the total hours reported divided by the maximum number of compensable hours in a full-time schedule (usually 40 hours per week).

**TR0202-06. Amount of legal and regulatory fines and settlements associated with labor law violations**

.28 The registrant shall disclose the amount (excluding legal fees) of all fines or settlements associated with labor law violations, including violations of the Fair Labor Standards Act (FLSA).

.29 Disclosure shall include civil actions (e.g., civil judgment, settlements, or regulatory penalties) and criminal actions (e.g., criminal judgment, penalties, or restitutions) taken by any entity (government, businesses, or individuals).

Note to **TR0202-06**

.30 The registrant shall briefly describe the nature (e.g., guilty plea, deferred agreement, or non-prosecution agreement) and context (e.g., wages, working hours, employee classification, etc.) of fines and settlements.
The registrant shall describe any corrective actions it has implemented as a result of each incident. This may include, but is not limited to, specific changes in operations, management, processes, products, business partners, training, or technology.
Accidents & Safety Management

Description
Transportation has inherent dangers related to accidents resulting from mechanical failure or human error. Additionally, moving packages manually is a physical process that requires special training in order to minimize injury. Statistics from the Bureau of Labor Statistics indicate that the fatal occupational injury rate for workers in the truck transportation industry is higher than normal. Safety issues in aviation are highly regulated. Companies in this industry take measures to train vehicle operators and maintenance staff to minimize accidents. Evidence of accident rates, costs, and safety technologies supports the material significance of the issue to the industry.

Accounting Metrics
TR0202-07. Description of implementation and outcomes of Safety Management System

.32 The registrant shall describe its implementation of a Safety Management System (SMS) across its aviation operations, where an SMS is defined according to Federal Aviation Administration (FAA)\(^{13}\) and/or International Civil Aviation Organization (ICAO) rule-making and guidelines\(^{14}\) and, at a minimum, includes:

- Safety policy
- Safety risk management
- Safety assurance
- Safety promotion

.33 Disclosure shall specifically discuss implementation of an SMS as it aligns with FAA guidelines and ICAO Standards and Recommended Practices, but it may also focus broadly on processes and procedures to avoid and manage emergencies, accidents, and incidents that could have catastrophic impacts on human health, the local community, and the environment.

.34 Description shall include a discussion of the implementation level the registrant has achieved as well as the registrant’s plan for achieving complete implementation within the ICAO-recommended period of five years, where SMS implementation levels are:

- Level 0: Orientation & Commitment
- Level 1: Planning & Organization
- Level 2: Reactive Processes
- Level 3: Proactive Processes
- Level 4: Continuous Improvement

.35 The registrant shall disclose whether the SMS has been audited by IATA’s Operational Safety Audit (IOSA), and if so, the registrant should discuss relevant findings from the audit.

.36 The registrant shall disclose the outcomes of its SMS, including:

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\(^{13}\) FAA Safety Management System Framework, Revision 3, June 1, 2010.
• The number of safety risks and hazardous situations that it identified, where risks and hazardous situations are broadly defined as any existing or potential condition that could lead to an accident or incident.

• The percentage of safety risks and situations identified that were mitigated.

The registrant may choose to describe any actions or measures it has implemented to mitigate safety risks and hazardous situations it identified, including, but not limited to, specific changes in controls, operations, management, processes, products, business partners, training, or technology.

TR0202-08. Number of aviation accidents

The registrant shall disclose the total number of aviation accidents, where accident is defined according to Annex 13 to the International Civil Aviation Organization (ICAO) Convention on International Civil Aviation as:

• An occurrence associated with the operation of an aircraft that takes place between the time any person boards the aircraft with the intention of flight until such time as all such persons have disembarked, in which:
  ▪ A person is fatally or seriously injured as a result of:
    • Being in the aircraft;
    • Direct contact with any part of the aircraft, including parts which have become detached from the aircraft; or
    • Direct exposure to jet blast;
      Except when the injuries are from natural causes, self-inflicted or inflicted by other persons, or when the injuries are to stowaways hiding outside the areas normally available to the passengers and crew; or
  ▪ The aircraft sustains damage or structural failure, which:
    • Adversely affects the structural strength, performance, or flight characteristics of the aircraft; and
    • Would normally require major repair or replacement of the affected component;
      Except for engine failure or damage when the damage is limited to the engine, its cowlings, or accessories, or for damage that is limited to propellers, wing tips, antennas, tires, brakes, fairings, small dents or puncture holes in the aircraft skin; or
  ▪ The aircraft is missing or is completely inaccessible.

Note 1. For statistical uniformity only, an injury resulting in death within 30 days of the date of the accident is classified as a fatal injury by ICAO.

Note 2. An aircraft is considered to be missing when the official search has been terminated and the wreckage has not been located.

TR0202-09. Number of road accidents and incidents

The registrant shall disclose the total number of road transport-related accidents and incidents, where:
• An accident is defined according to Federal Rule 49 Code of Federal Regulations 390.50 as an occurrence involving a commercial motor vehicle operating on a highway in interstate or intrastate commerce which results in (i) a fatality; (ii) bodily injury to a person who, as a result of the injury, immediately receives medical treatment away from the scene of the accident; or (iii) one or more motor vehicles incurring disabling damage as a result of the accident, requiring the motor vehicle(s) to be transported away from the scene by a tow truck or other motor vehicle.

• An incident is defined as any event involving a licensed motor vehicle while on business use that results in an Occupational Safety and Health Administration (OSHA)-recordable injury, vehicle damage, or other property damage, where any vehicle or property damage shall be considered in determining a vehicle incident, regardless of the amount of damage, cost of the repair, or whether the repair is actually made.

.40 At a minimum, the scope of disclosure includes accidents and incidents reported to the National Transportation Safety Board or equivalent national authority.

TR0202-10. (1) Total recordable injury rate and (2) fatality rate for (a) full-time employees and (b) contract employees

.41 For registrants whose workforce is entirely U.S.-based, the registrant shall disclose its total recordable injury rate (TRIR) and fatality rate, as calculated and reported in OSHA Form 300.

• OSHA guidelines provide details on determination of whether an event is a recordable occupational incident, and definitions for exemptions for incidents that occurred in the work environment but are not occupational.

.42 For registrants whose workforce includes non-U.S.-based employees, the registrant shall calculate its total recordable injury rate according to the U.S. Bureau of Labor Statistics guidance and/or using the U.S. Bureau of Labor Statistics calculator.

.43 The registrant shall disclose its TRIR separately for its full-time employees and for contract employees, including independent contractors and those employed by third parties (e.g., temp agencies, labor brokers, etc.).

.44 The scope includes all employees, domestic and foreign.

.45 Rates shall be calculated as: \((\text{statistic count} / \text{total hours worked}) \times 200,000\).


.46 The registrant shall disclose the percentile score calculated by the FMCSA Safety Measurement System (SMS) for the following Behavior Analysis and Safety Improvement Categories (BASICs):

• Unsafe Driving
• Hours-of-Service (HOS) Compliance
• Driver Fitness
• Controlled Substances/Alcohol
• Vehicle Maintenance
- Hazardous Materials (HM) Compliance

.47 The registrant shall disclose its percentile in each BASIC for the month ending the most recent fiscal year.

.48 The registrant may choose to discuss its percentile in relation to FMCSA’s Intervention Thresholds, which are as follows:

<table>
<thead>
<tr>
<th>BASIC category</th>
<th>Intervention Thresholds</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Passenger</td>
</tr>
<tr>
<td>Unsafe Driving, HOS Compliance</td>
<td>≥50%</td>
</tr>
<tr>
<td>Driver Fitness, Controlled Substances/Alcohol, Vehicle Maintenance</td>
<td>≥65%</td>
</tr>
<tr>
<td>HM Compliance</td>
<td>≥80%</td>
</tr>
</tbody>
</table>

Notes

Additional References:
Total Motor Vehicle Incident Rate, American Petroleum Institute, Rev. 11/2010
Supply Chain Management

Description

Many companies in the industry, particularly those providing freight forwarding, logistics, brokerage, and intermodal services, contract with large, complex networks of asset-based third-party providers to provide freight transportation services to their customers. These contractors range across all modes of transport such as motor carriers, railroads, air freight, and ocean carriers. Because most of the material sustainability issues likely to affect companies in the AFL industry are related to the transportation of goods, AFL companies need to manage relationships with their contractors in order to ensure that contractor actions that may lead to environmental or social impacts do not result in material adverse effects on their own operations. Additionally, AFL companies that are able to offer low-carbon logistics solutions can better service customers who are trying to reduce the carbon footprint of their shipments.

Accounting Metrics

TR0202-12. Percentage of carriers with BASIC percentiles above the FMCSA intervention threshold

.49 The registrant shall calculate the percentage by dividing the number of carriers with which it contracts that have one or more FMCSA Behavior Analysis and Safety Improvement Category (BASIC) percentile over the Intervention Threshold by the total number of carriers with which it contracts.

.50 Intervention Thresholds are as follows:

<table>
<thead>
<tr>
<th>BASIC category</th>
<th>Intervention Thresholds</th>
</tr>
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<tbody>
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<td></td>
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<td>≥65%</td>
</tr>
<tr>
<td>HM Compliance</td>
<td>≥80%</td>
</tr>
</tbody>
</table>

.51 The scope of disclosure includes carriers with which the registrant has contracted for transportation services during the fiscal year.

TR0202-13. Complete greenhouse gas footprint across transport modes

.52 The registrant shall disclose its complete tank-to-wheels greenhouse gas footprint, in metric tons of CO₂-e per metric ton-kilometer, where:

- Tank-to-wheels emissions relate to vehicle processes and exclude upstream emissions associated with primary energy production (i.e., well-to-tank emissions).

.53 The scope of disclosure includes emissions from all freight transportation and logistics activities, including those from the registrant’s own assets and those from contract carriers and outsourced freight forwarding services.

.54 The scope of disclosure includes emissions from all modes of transportation, such as road freight, air freight, barge transport, marine transport, and rail transport.

.55 The registrant shall calculate its disclosure according to EN 16258:2012, Methodology for calculation and declaration of energy consumption and GHG emissions of transport services (freight and passengers).

- Calculations shall be consistent with the methodology used to calculate the “tank-to-wheels GHG emissions (Gₜ)” result that is described in EN 16258:2012.
• Determination of transportation system scope, boundaries, and any necessary allocations shall be consistent with methodology that is described in EN 16258:2012.

.56 Consistent with EN 16258:2012, disclosure may be a result of calculations from a mix of categories of emissions values (i.e., specific measured values, transport operator vehicle-type or route-type specific values, transport operator fleet values, and default values).

.57 Where relevant and necessary for interpretation of disclosure, the registrant shall describe the allocation methods, emissions values, boundaries, mix of transport services used, and other information.